



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.07

Voluntary Report - public distribution

**Date:** 7/25/2003

**GAIN Report Number:** CA3046

## Canada

### Grain and Feed

## CWB Exports of Wheat and Barley at Record Low, Despite Reduced Production

### 2003

**Approved by:**

Gary Groves  
U.S. Embassy

**Prepared by:**

Matthew Cahoon

---

**Report Highlights:**

With expected CWB exports of approximately 7.8 MMT for the non-durum, durum wheat and barley, the CWB will likely not meet its own self-established export target announced in November 2002 of 8.7 million tonnes for the three CWB grains. Industry observers suspect that the reason the CWB is not exporting more of the available supplies, notwithstanding the reduced crops for 2003/03, was to prevent the CWB from encountering a deficit in its pool account for non-durum wheat. In the CWB's Pool Return Outlook dated July 24, current estimates of crop year returns (final prices) by the CWB for non-durum wheat grades and protein percentage classes exactly match the initial prices guaranteed by the Canadian government, potentially avoiding a deficit situation.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

**WITH RECORD LOW CROP PRODUCTION, WHY ISN'T THE CWB EXPORTING?**

With the 2002/03 crop year near completion for non-durum, durum wheat and barley and Statistics Canada export data available through May 2003, Canadian exports of the three Canadian Wheat Board (CWB) grains have totaled nearly 7.6 million metric tonnes (MMT), down 48% from the 14.6 MMT exported over the August-May period in the previous crop year.

Industry sources indicated that export movement often experiences a seasonal increase late in the season, but report that there is no sign of it this year. At current export rates, non-durum wheat exports for 2002/03 will be reach about 5.8 MMT, of which approximately 1.2 MMT of wheat will be exported out of Ontario, resulting in CWB non-durum wheat exports of about 4.6 MMT; durum wheat about 2.8 MMT and barley 450,000 metric tonnes (MT). Deducting Ontario wheat exports yields CWB exports of approximately 7.8 MMT, record lows in the CWB's history. Poor crops of the last two years have reduced exportable supplies of Canadian crops and have affected exports accordingly. The CWB will likely not meet its own self-established export target announced in November 2002 of 8.7 million tonnes for the three CWB grains.

With the current export performance of the CWB, Agriculture and Agri-Food Canada (AAFC) has slightly increased non-durum wheat ending stocks and reduced its export estimates for the three CWB crops for the 2002/03 crop year from 16.0 MMT in its June 2003 supply and disposition to 14.8 MMT in the AAFC July 2003 supply and disposition. AAFC is currently expecting (CWB and Ontario) non-durum wheat exports of 5.9 MMT, durum at 3.0 MMT, and barley at 700,000 MT. It is likely that AAFC will have to further reduce the export numbers for the CWB crops.

While there are a number of concerns with the 2002/03 crop year, particularly the lack of grain and the low quality of much of last year's harvest, there are also questions concerning the CWB's policies and performance. Total supply of non-durum wheat at the start of the year was 17.2 million tonnes. Exports for the year are likely to be only 33% of this supply. Total domestic use is forecast to be about 7.2 MMT, leaving about 10 MMT available for export. Given that the crop year is near completion, why are CWB non-durum wheat exports only a third of available supply? After two consecutive years of drought, practically all available supplies of non-durum wheat should have been exported. At the current predictions, non-durum wheat ending stocks are estimated to be around 4.1 MMT, not much less than 2001/02 ending stocks of 5.0 MMT, when supply was about 24.5 million tonnes and exports were more than half of that, at 12.6 MMT. In a season like this with record low production, industry observers note that ending stocks should be reduced to the barest possible minimum, not the likely 4.1 MMT, currently expected for non-durum wheat.

Why was the CWB unable to sell more of the 2002/03 wheat harvest? Was it because quality was very low? If so, why were Ukraine and Russia, which both produce mainly lower quality wheat, able to export more wheat than Canada at 13.0 MMT and 6.7 MMT, respectively? As it turns out, the Ukraine exported more wheat than it should have and now is an importer. The fact remains that these countries were able to find buyers for more wheat than they could ship while farmers in Western Canada will be left with almost near-normal ending stocks after a year of the lowest production in modern times.

In the months immediately preceding the CWB Board of Director's election late last year, the CWB consecutively increased the 2002/03 Pool Return Outlook (PRO) on the expectation of reduced crops from competitor countries around the globe. Immediately after the election, 2002/03 PROs were reduced, month over month, until industry observers became convinced that the CWB would run a deficit in its non-durum wheat pool account, in which the initial

prices offered by the CWB for the various grades and protein percentage classes for wheat and barley would exceed the most up to date PROs. In such a deficit situation, the Canadian government would make up the difference between the initial and final prices (as represented by the PRO) and the CWB would effectively be subsidized the Canadian government to make up this shortfall in revenue to western Canadian farmers.

With the release of the May 2003 PROs for the 2002/03 crop year, estimated final prices for select grades and classes of non-durum wheat came within almost C\$1 per metric tonne, raising industry speculation that the CWB would find itself in a deficit situation for the non-durum wheat pool account. In order to prevent the exacerbation of this potential problem, the CWB, in its more recent contract calls for grain delivery, only accepted delivery of the top two grades of non-durum wheat, thereby preventing the average price of all the grades and percentage classes in the non-durum wheat pool from being overly influenced by the reduced prices in the lower grade and percentage categories.

On July 24, the CWB released its 2002/03 PROs, in which all PROs for non-durum wheat grades and protein percentage classes were lowered to exactly match the CWB's initial price, averting a deficit situation in the non-durum wheat pool account.

#### COMMENTS:

While the CWB was somehow able to successfully prevent a deficit in its non-durum wheat pool account, given the cost of defending itself against anti-dumping and countervailing duty legal challenges from the U.S. Department of Commerce, the case before the World Trade Organization (WTO), as well as the legal costs that it has already incurred with regard to its threatened lawsuit against Monsanto over Monsanto's intention to register GMO wheat, these costs come from revenues in the CWB's various pool accounts. The CWB may still yet find itself in a deficit situation if revenues in the pool accounts after administrative and legal expenses are deducted are insufficient to pay what western Canadian wheat farmers are owed under the initial prices that are guaranteed by the Government of Canada.

#### Find FAS on the World Wide Web:

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting.

#### Recent Reports from FAS/Ottawa:

| Report Number | Title of Report                             | Date      |
|---------------|---|-----------|
| CA3042        | This Week in Canadian Agriculture, Issue 26 | 7/16/2003 |
| CA3038        | This Week in Canadian Agriculture, Issue 24 | 7/03/2003 |
| CA3036        | This Week in Canadian Agriculture, Issue 22 | 6/19/2003 |
| CA3035        | This Week in Canadian Agriculture, Issue 21 | 6/05/2003 |
| CA3034        | This Week in Canadian Agriculture, Issue 20 | 5/29/2003 |
| CA3030        | Oilseeds and Products Annual Report         | 5/14/2003 |

|        |                              |           |
|--------|------------------------------|-----------|
| CA3021 | Grain and Feed Annual Report | 4/11/2003 |
|--------|------------------------------|-----------|

**VISIT OUR WEBSITE:** The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto <http://www.usembassycanada.gov>; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: [agottawa@usda.gov](mailto:agottawa@usda.gov)